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Tax Updates September '20

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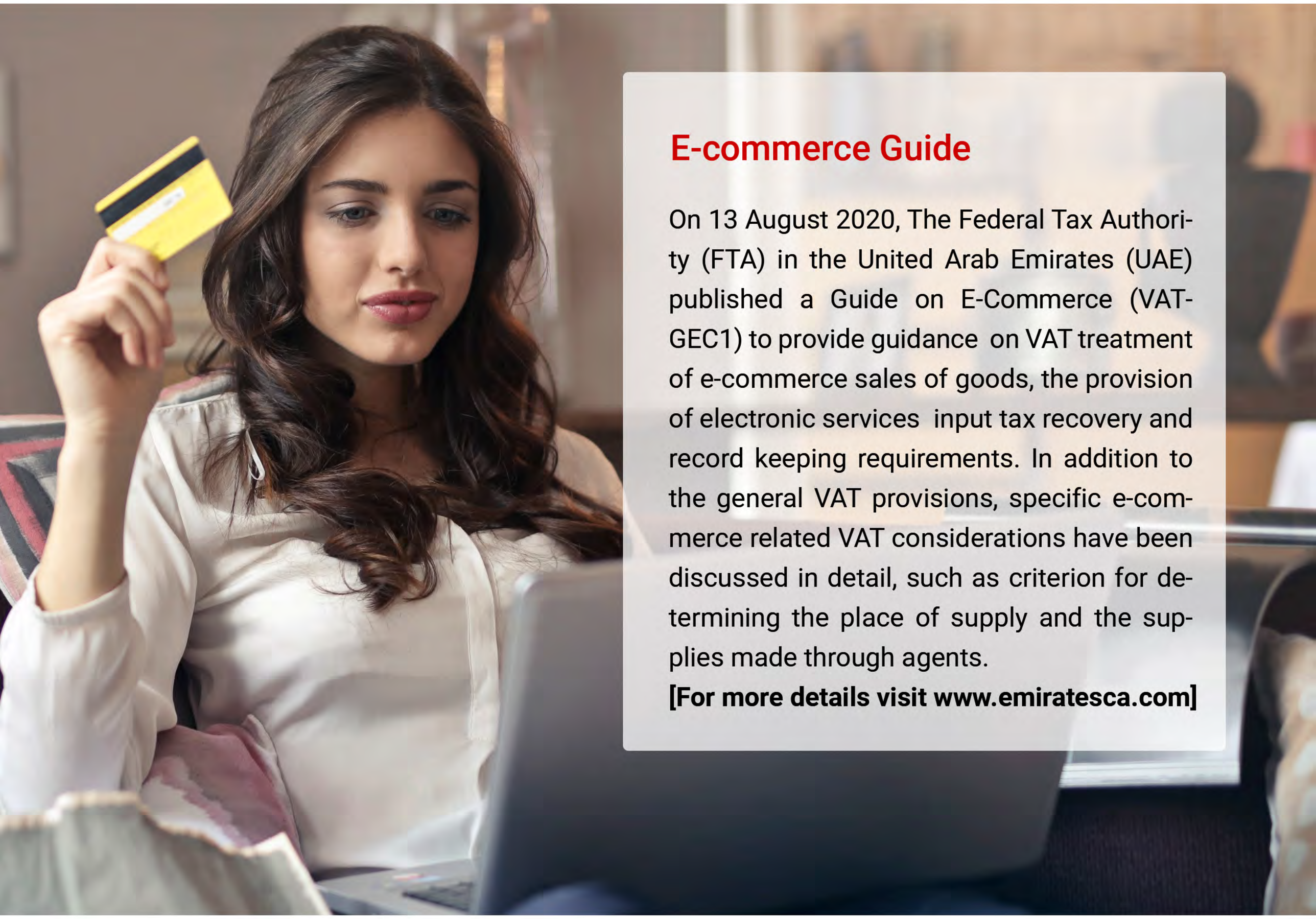
United Arab Emirates

Value Added Tax (VAT)



E-commerce Guide

On 13 August 2020, The Federal Tax Authority (FTA) in the United Arab Emirates (UAE) published a Guide on E-Commerce (VAT-GEC1) to provide guidance on VAT treatment of e-commerce sales of goods, the provision of electronic services input tax recovery and record keeping requirements. In addition to the general VAT provisions, specific e-commerce related VAT considerations have been discussed in detail, such as criterion for determining the place of supply and the supplies made through agents.

[For more details visit www.emiratesca.com]

Input tax recovery of COVID Expenses

During a workshop conducted for tax agents, the FTA clarified that expenses associated with COVID-19, such as the sterilisation of workplaces and testing of employees, are considered as expenses eligible for Input tax recovery.

Refund for UAE Nationals Building New Residences

The Federal Tax Authority has released a VAT user guide on Refund for UAE Nationals Building New Residencies, which entitles a UAE National to request a special refund from the FTA for the VAT incurred on certain expenses related to the construction of a new residence.

Export of Services

The Federal Tax Authority in the United Arab Emirates has issued a public clarification (P019) to provide more clarity on the zero-rating provisions for export of services. The change suggests that where a person has a connection to the supply and is present in the UAE for any period of time during the supply of the services, zero rating of the services cannot apply. [For more details visit www.emiratesca.com]

Zero rating of supply of Masks and Hand Sanitisers

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Excise Tax

FTA publishes updated Excise Tax Clearing Company User Guide

UAE's Federal Tax Authority has published an updated version of **Excise Tax User Guide covering Registration, Amendments & De-registration**

Economic Substance Regulation

Dubai Law No (9) of 2020 Regulating Family Ownership

Economic Substance Regulations is a compliance requirement which requires the entities to prove their Substantial existence in the UAE. The UAE Ministry initially enacted the Cabinet Resolution no. 31/2019 with effect from 30th April 2019. On 10th August 2020 New ESR Law was introduced in the UAE via **Cabinet Resolution 57/2020** which repealed and revoked Cabinet Resolution 31/2019. Also, **Ministerial Decision No 100 for the year 2020** replaced Ministerial Decision 215 for the year 2019. So, Entities will now have to comply with **Cabinet resolution 57/2020 & Ministerial Decision 100 for the year 2020** giving directives for the implementation of the provisions of. Cabinet Decision no. 57/2020..

Source: Ministry of Finance
https://www.mof.gov.ae/en/strategicpartnerships/pages/esr.aspx

Country by Country Reporting (CbCR)

UAE Publishes New Country CbCR Regulation in the UAE

Country-by-Country Reporting (CbCR) is one of the minimum requirements of the Organization for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) 15 Action Plan. It was initially introduced in the United Arab Emirates (UAE) with effect from the year 2019 vide Cabinet Resolution No. 32 of 2019. This Cabinet Resolution No. 32 of 2019 is now repealed & replaced by **Cabinet Resolution No. 44 of 2020 Organising reports submitted by Multinational Companies.**

Source: Ministry of Finance
https://www.mof.gov.ae/en/strategicpartnerships/pages/country-by-country-reporting.aspx

Double Taxation Avoidance Agreement (DTAA)

UAE - Israel Tax Treaty under discussion

The Israeli Government has announced the working groups established for discussions with the UAE, including a Finances working group that will hold discussions on establishing a tax treaty and determining taxation rules. Any resulting treaty would be the firhst of its kind between the two countries and must be finalized, signed, and ratified before entering into force.

Source: https://www.gov.il/en/departments/news/spoke_dubai310820

UAE – Ireland Tax Treaty

Irish Revenue has published the synthesized text of Ireland's tax treaty with the UAE as impacted by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). The synthesized text has been prepared based on the reservations and notifications (MLI positions) submitted by Ireland and the UAE upon ratification of the MLI. The authentic legal texts of the tax treaty and the MLI take precedence and remain the legal texts applicable.

Others

The UAE Agency Law amended

On 31 May 2020, Federal Law No. 11 of 2020 was published in the United Arab Emirates ("UAE") Official Federal Gazette No. 679 and entered into force on 1 June 2020. Federal Law No. 11 of 2020 implements the anticipated changes to the Federal Law No.18 of 1981 Regulating Commercial Agencies (the "UAE Agency Law") announced by the UAE Cabinet General Secretariat in January 2020 and, in addition to some minor amendments to the UAE Agency Law, makes a fundamental modification to which types of UAE legal entities can register a commercial agency arrangement at the UAE Ministry of Economy.

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Dubai Law No (9) of 2020 Regulating Family Ownership

The Ruler of Dubai issued on 13 August 2020, Law No (9) of 2020 Regulating Family Ownership (the "**Law**").

The Law enables members of a family to enter into a legally binding and notarized contract (the "**Family Property Contract**"), that provides for the collective ownership and administration of family owned property for the benefit of the family members who are party to the Family Property Contract, and their successors.

The provisions of the Law enable family members (up to the fourth degree) with a common interest to jointly own property on the terms of the Family Property Contract.

Source:
https://www.gulftoday.ae/news/2020/08/19/mohammed-issues-new-law-regulating-family-owned-businesses-in-dubai

Lawsuits Against Healthcare Organisations Suspended in Dubai

Healthcare facilities, laboratories and other institutions operating in the Dubai healthcare sector will be pleased to note the issuance of Decision No. 17 of 2020 (amending the previous Decision 21/8 of 2020) (the "**Decision**") that will further suspend any legal proceedings issued against certain named entities for a period of six months.

The Decision applies to companies and institutions operating in the health sector and their subsidiary companies that provide services to treat people infected with Coronavirus, that have been identified by the Ministry of Health and Prevention as falling under the remit of the Decision.

Kingdom of Saudi Arabia

Saudi Arabia Publishes Updated Guideline on Tax Ruling Requests

Saudi Arabia's General Authority for Zakat and Tax (GAZT) has published the second version of its **English-language Guideline on Tax Ruling Requests**, which is dated 1 July 2020. The Guideline is published by GAZT to provide guidance to Taxpayers and their agents who wish to request a Ruling from GAZT to clarify the interpretation of the laws or associated Regulations applicable to Value Added Tax or Income Tax and related to specific facts or circumstances.

GAZT publishes Tax Circular on Real Estate Transferred

Saudi Arabia's GAZT (General Authority of Zakat and Tax) has issued a **Tax Circular** which discusses the criteria for determining whether a transfer of real estate qualifies as a transfer of a going concern for VAT purpose.

The two parties will work to develop a general framework to encourage research and development in the field of carbon capture, storage and use research techniques

Saudi Energy Ministry and the King Abdul Aziz City for Science and Technology (KACST) sign MoU to coordinate in carbon fields

Under the MoU, the two parties will work to develop a general framework to encourage research and development in the field of carbon capture, storage and use research techniques, unite efforts among research entities, cooperate with global centers, and focus on the Kingdom's priorities, thus contributing to the diversification of its economic resources.

The memorandum includes promoting the exchange of statistical information and data for the implementation of research and joint ventures, and the exchange of scientific and research expertise and technical advice between the parties.

Bahrain

Bahrain Publishes VAT Guides on Economic Activity and Transfer of a Going Concern

Bahrain's National Bureau for Revenue (NBR) has published a VAT Economic Activity Guide and a VAT Transfer of a Going Concern Guide.

The **VAT Economic Activity Guide** sets out general principles relating to the concept of economic activity for VAT purposes. The Guide discusses when an economic activity starts and ends and deals with specific cases where economic activity is or is not carried out.

The **VAT Transfer of a Going Concern Guide** sets out general principles relating to the concept of VAT on the transfer of a going concern (TOCG).

Bahrain publishes new Ultimate Beneficial Ownership (UBO) Rules

The Bahrain Ministry of Industry, Commerce and Tourism ("**MOICT**") has recently passed **Resolution Number (83) of 2020** concerning the Standards, Requirements and Rules to Determine the Ultimate Beneficiaries ("**UBO Resolution**"), with the aim of prescribing rules and guidelines ("**UBO Rules**") for determining who falls under the definition of an Ultimate Beneficial Owner ("**UBO**").

The MOICT has also published supplementary guidance and clarification as to the application of the UBO Resolution.

With the exception of entities which are licensed and regulated by the Central Bank of Bahrain (CBB), the UBO Rules apply to all natural or legal persons who are registered with the MOICT and have a Commercial Registration (CR) ("**Registered Person(s)**").

Competition Law in Bahrain

Firms conducting anti-competitive behavior may find their agreements to be unenforceable and risk being fined for particularly impaired conduct as well as exposing themselves to possible damages actions.

Oman

Oman to Implement VAT Regime in 2022

A joint committee of Oman's State Council and Shura Council reportedly sent the draft law for the implementation of a VAT regime to Sultan Haitham Bin Tariq Al Said for approval on 3 September 2020. Although earlier reports indicated an expected implementation of the VAT regime in early 2021, the current suggested implementation is January 2022.

Excise tax to be levied on sweetened beverages

On 18 June 2020, Oman's tax authorities announced that excise tax will be levied on sweetened beverages at the rate of 50% **effective from 1 October 2020**. Ready to **drink beverages** containing added sugar or sweeteners or any form of sugar will attract a 50 percent sugar **excise tax** beginning this October, according to the **Oman Tax** Authority.

Oman Amends Income-tax Law

Oman has brought some changes in Income Tax Law, on September 14, 2020 vide **Royal Decree, No. 118/2020**. This Decree has brought about amendments in the following existing laws:

- Royal Decree 28/2009, Income-tax Law,
- Royal Decree 66/2019, Establishing the Tax Authority, and the System of the Tax Authority
- Royal Decree 42/2020, Organisational Structure

Country-by-Country reporting obligations introduced for multinational groups

Oman's Tax Authority has issued **Ministerial Decision No. 79/2020** published in the Official Gazette on September 27, 2020, setting out Country-by-Country Reporting (CbCR) obligations for multinational entity groups (MNE groups) headquartered or operating in the Sultanate. The new measures, which are effective for financial years commencing on or after January 1, 2020, follow Oman's accession to the Base Erosion and Profit Shifting Inclusive Framework (BEPS IF) on October 20, 2017.

Kuwait

Kuwait Provides Return and Payment Deadline Extension due to COVID-19

Kuwait published Ministerial Order No. 21 of 2020 in the Official Gazette on 16 June 2020, which provides certain deadline extensions due to COVID-19. This includes that the deadlines for filing returns in accordance with the Corporate Income Tax Law, the Partitioned Neutral Zone Tax Law, the Zakat Law, and the National Labour Support Tax Law are extended based on when the Ministry of Finance resumes operations as follows:

- 60 days after the Ministry resumes operation in respect of returns for financial years ending 31 December 2019 and 31 January 2020; and

- 30 days after the Ministry resumes operation in respect of financial years ending before 31 December 2019 where the return was normally due on or after 12 March 2020 (the date the Ministry closed operations due to COVID-19).

Qatar

GTA clarifies tax exemption rules

Qatar's General Tax Authority (GTA) issued a circular on 20 August 2020 clarifying aspects of the ownership requirements to claim the income tax exemption on profits attributable to resident legal entities owned by Qatari (or GCC) nationals. The circular states that beneficial ownership is required and the taxpayer must substantiate such ownership in order to claim an exemption.

Launch of 'Dhareeba', the new taxation portal in Qatar

ضريبة
Dhareeba
tax portal

The GTA has announced the launch of the first phase of the new online tax administration system called, 'Dhareeba'. The new Tax portal provides the General Tax Authority with digital channels to serve all its partners; the Government, tax agents, and the taxpayers. It has been designed to manage, calculate and review various types of taxes to help taxpayers identify the procedures related to their transactions and receive notifications on the progress of their operations.

All companies are required to register on the new portal starting from 1st July 2020 and complete the registration process in the period of ninety (90) days. Taxpayers who register on the portal before 30 September 2020 will be exempted from the existing penalties related to previous registration and issuance of tax card.

Certain Other Jurisdictions

Egypt | Europe | India

Egypt

Tax exemption for certain interest income cancelled

On 5 September 2020, Egypt's president approved legislation cancelling the tax exemption for interest income derived from treasury bills, bonds, and related capital gains as from 6 September 2020 (Law no. 182 of 2020). The law revokes all provisions in other laws exempting income derived from treasury bills and bonds issued by the Ministry of Finance or related capital gains.

The law will not apply retroactively to exempted treasury bills and bonds issued before the law's issuance (i.e., before 6 September 2020).

Europe

European Union Council Postpones Deadlines for Tax Reporting Under DAC6 Disclosure Regime

On June 24, 2020, the European Union (EU) Council agreed to the EU parliament's proposal to extend by 6 months the deadline for filing and exchanging information under the DAC6 mandatory reporting guidelines.

DAC6 (Directive 2018/822) is a new EU mandatory disclosure regime that imposes mandatory reporting of cross-border arrangements.

This decision was taken in the wake of the ongoing Covid-19 crisis, which has caused disruption in activities for financial institutions, tax authorities and advisers all across the world.

Cyprus Implements The EU Anti-Tax Avoidance Directive

Back in 2019, Cyprus partially adopted the Anti-tax Avoidance directive (EU2016/1164) or ATAD 1. On July 3, 2020 the official Gazatte published the law implementing the remaining ATAD 1 provisions on exit taxation, as well as those of Hybrid Mismatches Directives (EU 2017/952) or ATAD II. With that, Cypriot National Law is now fully in line with the EU Anti-tax avoidance regulatory framework.

Luxembourg no deduction on interest and royalties payments

On 30 March 2020, the Luxembourg government published Bill No. 7547, amending Article 168(4) of the income tax law (ITL). This Bill aims to deny the deduction for income tax purposes of interest and royalty paid to group entities located in blacklisted countries

This proposal has been made in light of the European Union Council's conclusions issued on 5 December 2017 whose purpose was the adoption of defensive measures against noncooperative countries.

India

Platform for transparent taxation introduced to reward honest taxpayers

India's government launched the "Transparent Taxation – Honoring the Honest" platform on 13 August 2020 to further a number of objectives, including to reduce the burden of tax compliance for honest taxpayers, to make the existing tax system more "people-centric and public friendly," to reduce human interface, to improve transparency and accountability, and to promote the ideology of "Minimum Government, Maximum Governance."

The three main features/objectives of the platform are "faceless" assessment, faceless appeals, and a "**Taxpayers' Charter**."

Clarification on Residential Status calculation for Individual for the FY 2019-20 Section 6 of the Income Tax Act (the Act)

The CBDT has made amendments for the individuals who were not able to leave India on or before 31 March 2020 due to the pandemic situation in calculation of days of stay for the purpose of ascertaining the residential status in India for the Financial Year (FY) 2019-20. On account of genuine hardship faced in leaving India before 31 March 2020, the stay in India from 22 March 2020 to 31 March 2020 shall not be considered for the purpose of ascertaining residential status in India.

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